

INSTANT COMMENT

23 December 2013

Moderately optimistic retail sales and unemployment

Retail sales growth accelerated in November to 3.8%YoY, while unemployment rate increased slightly to 13.2%. The data are close to our expectations and do not change our expectations about medium-term economic outlook or possible monetary policy decisions. There is still no sign of inflationary pressure, however domestic demand apparently started reviving and we expect this trend to continue, supported by a steady improvement of situation in the labour market.

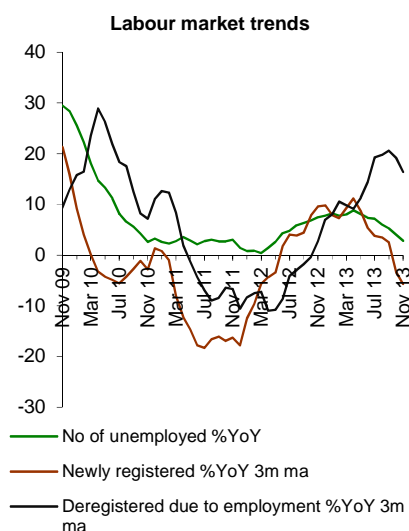
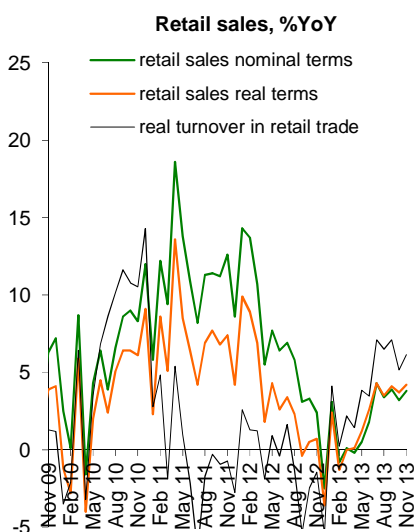
Faster retail sales growth

Retail sales growth accelerated in November from 3.2% to 3.8%YoY, more or less in line with our forecast (3.7%YoY), while market consensus was at 3.2%YoY. The sales growth in constant prices was again higher than its nominal growth, which means that deflator remains below zero. This shows that despite some revival of consumption demand observed for a couple of months, retailers still cannot afford to raise final prices. There are no signs of inflationary pressure. Acceleration of retail sales growth took place only in some categories (the biggest in non-specialised shops and those selling clothing and footwear). Meanwhile, the car sales disappointed, as its growth slowed from 21% to 15%YoY. According to our estimates, retail sales growth excluding vehicles and fuels accelerated in November to 3.6%YoY from 2.3% in the previous month. Turnover in retail trade (which covers also smaller shops, but excludes car sales, as opposed to retail sales data) accelerated as well, from 5.2% to 6.1%YoY.

In our view, the November's data confirmed that the consumer demand is in gradual recovery, and is contributing more and more to Poland's economic growth. Still, the recovery is – as we had anticipated – moderately paced and it is hard to expect equally strong rebound as used to happen before 2008. After November's data about industrial and construction output and retail sales we now estimate that GDP growth in 4Q 2013 could exceed 2.5%YoY.

No surprise in unemployment data

Registered unemployment rate rose in November to 13.2%, in line with our forecast and flash estimate of the Labour Ministry. The number of unemployed increased by almost 41k against October (much less than in the corresponding period of 2012). Still, the growth resulted mainly from a seasonal drop of new job offers. The pace of registration of newly unemployed has been declining for some time (see the chart). We expect to see further gradual improvement of situation in the labour market, which will be supporting further moderately paced recovery of consumption demand.



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